

RESOLUTION NO. 07-07

FINAL BOND RESOLUTION OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
RELATING TO THE FINANCING OF FACILITIES FOR
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

March 21, 2007

WHEREAS, the California Infrastructure and Economic Development Bank (the "Bank") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following), as now in effect and as it may be amended or supplemented (the "Act"), for the purpose of, among other things, providing financial assistance for design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California (the "State"); and

WHEREAS, the California Independent System Operator Corporation (the "Borrower") has requested the Bank to issue revenue bonds in an amount not to exceed \$60,000,000 to finance a portion of the Borrower's costs of acquiring certain additional computer and telecommunication hardware and software systems, which systems qualify as economic development facilities under the Act (the "Project"); and

WHEREAS, to enhance the marketability of the bonds, the Borrower has agreed to provide for the delivery of a bond insurance policy, thereby supporting the repayment of the bonds, and a standby bond purchase agreement, thereby supporting the liquidity of the bonds; and

WHEREAS, final approval of the terms of such bonds and certain documents relating to the bonds is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Infrastructure and Economic Development Bank as follows:

Section 1. The Bank hereby determines as follows:

- a. The financing and loan contemplated by this resolution is for a project and use in the State.
- b. Based upon the requirement that the transaction will be insured, the Borrower is capable of meeting the obligations incurred under the agreements approved by this resolution.
- c. The payments to be made by the Borrower to the Bank under the loan agreement approved herein are adequate to pay the current expenses of the Bank in connection with the financing and to make all the payments on the Bonds (as defined below).
- d. The proposed financing is appropriate for the Project.
- e. The Project is consistent with any existing local or regional comprehensive plan.
- f. The Project demonstrates clear evidence of a defined public benefit.

Section 2. Revenue obligations of the Bank, designated as the "California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds" (California Independent System Operator Corporation Project)" (the "Bonds") in one or more series and in an aggregate principal amount not to exceed \$60,000,000 are authorized to be issued pursuant to the Act. The Bank understands that the payment of the principal of and interest on the Bonds will be supported by a municipal bond insurance policy issued by Ambac Assurance Corporation and that payment of the purchase price of the Bonds (in the event Bonds are not remarketed after a tender thereof) will be supported by a standby bond purchase agreement by and among the Borrower, Deutsche Bank National Trust Company, as trustee (the "Trustee"), and Bank of America, N.A., individually and as administrative agent, Banc of

America Securities LLC, as sole lead arranger and sole book manager and JPMorgan Chase Bank, N.A. individually and as co-agent.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized and requested to sell the Bonds, at any time and from time to time within one hundred eighty (180) days of receipt of a certified copy of this resolution, at private sale, in such series and such principal amounts (not in excess of a total of \$60,000,000), at such prices and at such interest rate or rates as he may determine.

Section 4. The proposed form of Loan Agreement relating to the Bonds (the “Loan Agreement”) between the Bank and the Borrower on file with the Secretary of the Bank (the “Secretary”), is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver the Loan Agreement to the Borrower, in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of Indenture relating to the Bonds (the “Indenture”) between the Bank and the Trustee, on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver the Indenture to the Trustee, in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The series (and respective principal amounts

thereof), dates, maturity date or dates, interest rate or rates and payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, remarketing agents for and other terms of the Bonds shall be as provided in said Indenture, as finally executed.

Section 6. The proposed form of Bond Purchase Contract relating to a portion of the Bonds (the “Banc of America Bond Purchase Contract”) among the Treasurer, the Bank and Banc of America Securities LLC (“Banc of America”), on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and deliver to Banc of America and the Treasurer the Banc of America Bond Purchase Contract in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of Bond Purchase Contract relating to a portion of the Bonds (the “J.P. Morgan Bond Purchase Contract”) among the Treasurer, the Bank and J.P. Morgan Securities Inc. (“J.P. Morgan” and, together with Banc of America, the “Underwriters”), on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and deliver to J.P. Morgan and the Treasurer the J.P. Morgan Bond Purchase Contract in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the

Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The proposed form of official statement relating to the Bonds (the "Official Statement"), on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute and deliver the Official Statement in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby severally authorized to distribute copies of the Official Statement to prospective purchasers and the purchasers of the Bonds.

Section 9. The Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute (by manual or facsimile signature) the Bonds in an aggregate principal amount not to exceed the amount authorized hereunder in accordance with the Indenture and in the form set forth in the Indenture.

Section 10. The Bonds, when executed as provided in Section 9 of this Resolution, shall be delivered to the Trustee for authentication by the Trustee pursuant to the Indenture. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York (the "Depository") on behalf of the purchasers thereof in accordance with written instructions executed on behalf of the Bank by the Executive Director, the Chair, or the

Chair's designee, which instructions each signatory, acting singly, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Depository, on behalf of the purchasers thereof, upon payment of the purchase price thereof.

Section 11. The officers and officials of the Bank and the Treasurer and their authorized representatives are hereby authorized and directed, acting severally, to do any and all things, and to execute and deliver any and all documents and certificates, including without limitation a tax certificate, letter of representations or similar documents and documents relating to the bond insurance, the standby bond purchase agreement, and agreements for the remarketing of the Bonds, which they may deem necessary or advisable to consummate the issuance, sale and delivery of the Bonds, and otherwise to effectuate the purpose of this resolution.

Section 12. This resolution shall take effect immediately upon its passage.

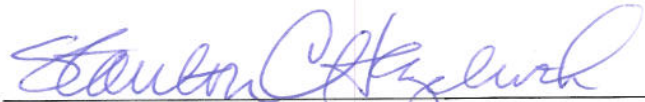
PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on March 21, 2007 by the following vote:

AYES: HEIDIG, LUJANO, BROWN, MATTEUCCI, RICE

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE


Stanton C. Hazelroth, Executive Director

Attest:


Roma Cristia-Plant, Secretary